

May 31, 2006

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Division Clerk  
RI Division of Public Utilities & Carriers  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: Docket D-06-13 - Joint Petition of The Narragansett Electric Company and Southern Union Company for Approval of Purchase and Sale of Assets  
Response to the George Wiley Center Motion to Compel**

Dear Ms. Massaro:

The following letter responds to the Motion of the George Wiley Center ("Wiley Center") to Compel Answers to Data Requests No. 1-3, 1-4, 1-5, 1-6, 1-7, 1-8, and 1-10. The Narragansett Electric Company, d/b/a National Grid ("National Grid" or the "Company") received the Wiley Center's motion at 3:50 pm today, May 31, 2006. Since the discovery conference is scheduled for tomorrow morning and the Wiley Center motion will likely be addressed, National Grid provides this letter response.

At the outset it should be noted that the Wiley Center's motion to compel is misplaced. The Company answered every single data request posed by the Wiley Center except for question 1-8, which sought the Company's view regarding legislation pending in the General Assembly.

The Wiley Center has moved to compel answers on 1-3, 1-4, 1-5, 1-6, 1-7, 1-8, and 1-10. Each of these will be addressed below in the order identified by the Wiley Center's motion. Specifically, these data requests relate primarily to termination of service and rate design for low income customers.

**A. Data Requests Relating to Termination of Service Issues.**

***1-3 Whether the Company will Terminate Service as It Does in New York***

In data request 1-1, the Wiley Center asked the Company how it handles termination issues for gas and electric service in New York, where gas and electric billing is consolidated. The Wiley Center then asked question 1-3 regarding how the issues identified in 1-1 for New York would be

handled in Rhode Island. The Company referred back to an answer it already had given on the subject to the Division. Specifically, the Company has no plans to terminate electric service due to arrearages on gas bills at this time. However, the Company stated that it expected to take up issues of termination of service before the Commission when it files a new rate plan.

The Company has answered the question. There is nothing for the Division to compel. Prior to the time that a new rate plan is put in place, the Company will not change current practices. If this was not clear, the Company would be happy to clarify its response. However, the issue of rules pertaining to the termination of service is squarely within the jurisdiction of the Public Utilities Commission ("Commission"), and not the Division. (See, e.g., Commission's Rules and Regulations Governing the Termination of Residential Electric, Gas and Water Utility Service, effective May 1, 2002). The Division does not have the authority to condition approval of the merger by denying the Company's right to propose a different collection practice to the Commission at a later date. If the Company made such a proposal in a Commission proceeding, the Wiley Center could participate at that time and raise any objections or concerns in that forum. The current Division proceeding is not the proper forum for addressing this issue.

Further, while the Company did not cross-reference its response to Division 2-2, that response also sheds light on the matter. The Company's current billing system cannot bill both electric and gas service. In the future, it may be able to do so; however, it cannot do so now or within the next year. Thus, even if the Company wanted to terminate service based on arrearages for gas or electric service, the Company would not be able to do so until a new CSS system is put in place.

In short, the Company has answered data request 1-3 and there is nothing to compel.

***1-7 Whether the Company will eschew terminations during the winter months for gas and electric customers.***

Like question 1-3, the Company has answered the question and there is nothing to compel. Specifically, the Company stated that it had no plans at this time to change existing policies regarding termination of electric service during the winter moratorium. The Company also has not made any decision about whether it will continue the New England Gas Company current practice. The Company also stated that, if there was a change, it would act consistent with Commission regulations.

***1-8 Will the Company support the policy reflected in pending legislation.***

This is the only question to which the Company did not respond, and there is a valid basis for not doing so. The Company's position on pending legislation regarding terminations that is not yet law, and may never become law, is simply not relevant to these acquisition proceedings. It is

not appropriate to engage in a legislative policy debate in these proceedings. The data request was not appropriate and the motion to compel on this data request must be denied.

**B. Data Requests Related to Low Income Rates**

***1-4 Whether the Company will Propose a Low Income Discount Rate***

The Wiley Center asked the Company if it will propose a low income discount rate. This is not a question relating to total cost of service or total revenue requirement. It is peculiarly a question about rate design. The Company answered the question, stating:

“The Company has made no decision regarding rates charged to low income gas customers. The Company proposes to file a comprehensive rate plan within six months of the approval of the merger between National Grid and New England Gas Company. (See the testimony of Ronald T. Gerwatowski, page 24.) It is anticipated that issues related to rates, including any low income programs, policies and discounts (if any), will be addressed in the context of that proceeding.”

As such, the Company answered the question. The Company has made no decision and there is nothing for the Division to compel. In the meantime, the Company has agreed to honor the terms of New England Gas Company’s existing rate plan agreement that provides benefits to low income customers.

Further, the Wiley Center implies that, if a discount rate is not offered, that somehow this would be grounds to deny the petition as not being in the public interest. This position cannot be sustained. There is wide public disagreement about whether low income customers should be subsidized by other customers. The Company is not offering a position here, but simply notes that this issue is squarely within the jurisdiction of the Commission in its ratemaking function. See, e.g., R.I.G.L. §§ 39-1-3, 39-3-11. It is beyond the power, authority, and jurisdiction of the Division to condition the merger on a discount plan being offered to low income customers. This would usurp the Commission’s ratemaking authority. Thus, the Wiley Center’s motion to compel must be denied.

***1-5 Does the Company plan to keep the existing low income plan in place.***

The Company has also answered this question. Prior to the approval of a new rate plan, the Company has no intention of changing the current program. In fact, the Company’s petition represents that it will honor New England Gas Company’s existing rate plan agreement, which contains the low income plan referenced in the data request.

As with the other answers, there is nothing to compel. Similarly, the subject of how the Company's rates will be designed for low income customers in the next rate plan is not within the jurisdiction of the Division. It is a matter under the authority of the Commission.

***1-6 Whether the Company is willing to reduce the percentage of arrearage payment.***

The Company answered this question as well. Prior to the approval of a new rate plan, the Company has no intention of changing current practices. Again, there is nothing to compel.

Like some of the other questions, it appears that an answer of "no" would have satisfied the Wiley Center's procedural problem. At this point, however, the Company is not willing to rule out the possibility of changing practices or negotiating new ways of handling arrears. Further, even if the answer was "no", it would provide no basis for the Division to place conditions on the acquisition or deny it outright. Like the other issues, the rules regarding the Company's practices are under the jurisdiction of the Commission. The motion to compel relating to this question also must be denied.

***1-10 Questions about the Company's Return on Equity***

This question, like the other rate questions, was answered. In fact, the motion to compel is not clear about what the Wiley Center seeks with respect to this data response. There is no basis to grant a motion to compel relating to this data request.

**Conclusion**

It appears that the Wiley Center is concerned that it does not know whether the termination of service practices will change as a result of the acquisition, or whether rates applicable to low income customers will be designed with more subsidies than currently exist in gas rates. While National Grid understands that these are issues that have always been important to the Wiley Center, they are not appropriately litigated in this proceeding. Both termination of service rules and rate design issues for low income customers are under the exclusive jurisdiction of the Commission. The Division cannot usurp that authority from the Commission by conditioning approval of this petition on more lenient termination of service rules than what the Commission, in the exercise of its authority, may allow. Similarly, the Division cannot condition the petition on National Grid providing deeper subsidized low income rates. Again, these are policy questions peculiarly within the jurisdiction of the Commission.

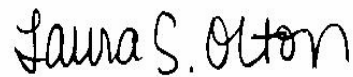
The Wiley Center is not left without a forum on these issues. If, and when, the Commission addresses these issues, the Wiley Center will have standing to intervene and assert its positions. But the Division does not have the authority to step into the area of regulation left for the Commission.

Luly E. Massaro, Division Clerk  
G. Wiley Motion to Compel  
May 31, 2006  
Page 5 of 5

Regarding the data requests themselves, the Company provided an answer in each and every case but one. And the one which the Company did not answer contained a valid objection. In sum, there is absolutely nothing that the Division can lawfully "compel" National Grid to do beyond the answers already provided.

For all the reasons described above, National Grid respectfully requests that the Division deny the Wiley Center's motion to compel.

Very truly yours,

A handwritten signature in black ink that reads "Laura S. Olton". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Laura S. Olton

cc: Docket D-06-13 Service List

## **Certificate of Service**

I hereby certify that a copy of the cover letter and materials accompanying this certificate were mailed or hand-delivered to the parties listed below.



Joanne M. Scanlon

Date: May 31, 2006

### **National Grid & Southern Union - Docket D-06-13 Updated Service List as of 5/15/06**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone/FAX</b>
Laura S. Olton, General Counsel Narragansett Electric Co. d/b/a National Grid 280 Melrose Street Providence, RI 02907	<a href="mailto:laura.olton@us.ngrid.com">laura.olton@us.ngrid.com</a>	401-784-7667 401-784-4321
	<a href="mailto:Joanne.scanlon@us.ngrid.com">Joanne.scanlon@us.ngrid.com</a>	
Thomas G. Robinson, Esq. Narragansett Electric Co. d/b/a National Grid 25 Research Drive Westborough, MA 01582	<a href="mailto:Thomas.robinson@us.ngrid.com">Thomas.robinson@us.ngrid.com</a>	508-389-2877
	<a href="mailto:Ronald.Gerwatowski@us.ngrid.com">Ronald.Gerwatowski@us.ngrid.com</a>	
For New England Gas Co.: Cheryl Kimball, Esq. Keegan Werlin LLP 265 Franklin St. Boston, MA 02110	<a href="mailto:ckimball@keeganwerlin.com">ckimball@keeganwerlin.com</a>	617-951-1400 617-951-1354
	<a href="mailto:Rkeegan@keeganwerlin.com">Rkeegan@keeganwerlin.com</a>	
Kevin Penders, Esq. Manager, Regulatory Relations New England Gas Co. 100 Weybosset St. Providence, RI 02903	<a href="mailto:Kevin.Penders@negasco.com">Kevin.Penders@negasco.com</a>	401-272-5040 401-751-0698
For New England Gas Co.: Gerald J. Petros, Esq. Hinckley, Allen & Snyder LLP 1500 Fleet Center Providence, RI 02903	<a href="mailto:gpetros@haslaw.com">gpetros@haslaw.com</a>	401-274-2000 ext. 5666 401-277-9600
For the Division of Public Utilities Advocacy: Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	<a href="mailto:lwold@riag.ri.gov">lwold@riag.ri.gov</a>	401-222-2424 401-222-3016
	<a href="mailto:RDIMeglio@riag.ri.gov">RDIMeglio@riag.ri.gov</a>	
	<a href="mailto:sscialabba@ripuc.state.ri.us">sscialabba@ripuc.state.ri.us</a>	

For the Dept. of Attorney General: William Lueker, Esq. Dept. of Attorney General 150 South Main Street Providence, RI 02903	<a href="mailto:Wlueker@riag.ri.gov">Wlueker@riag.ri.gov</a>	401-222-2424 401-222-3016
	<a href="mailto:Proberti@riag.ri.gov">Proberti@riag.ri.gov</a>	
Brian A. Wagner, Deputy Chief Legal Counsel RI Dept. of Environmental Management Office of Legal Services 235 Promenade St., 4th Flr. Providence, RI 02908	<a href="mailto:Brian.wagner@dem.ri.gov">Brian.wagner@dem.ri.gov</a>	401-222-6607 401 222-3378
For the Town of Tiverton: Andrew M. Teitz, Esq. Ursillo, Teitz and Rich, Ltd. 2 Williams St. Providence, RI 02903-2918	<a href="mailto:zoning@utrlaw.com">zoning@utrlaw.com</a>	401-331-2222 401-751-5257
	<a href="mailto:jeannescott@utrlaw.com">jeannescott@utrlaw.com</a>	
For the George Wiley Center: B. Jean Rosiello, Esq. 340 Olney St. Providence, RI 02906	<a href="mailto:jeanrosiello@cox.net">jeanrosiello@cox.net</a>	401-751-5090 401-751-5096
Adrienne G. Southgate, Deputy City Solicitor Law Department City of Providence 275 Westminster Street, Suite 200 Providence RI 02903	<a href="mailto:asouthgate@providenceri.com">asouthgate@providenceri.com</a>	401- 421-7740 Ext. 333
John Spirito, Esq. Division of Public Utilities & Carriers 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:jspirito@ripuc.state.ri.us">jspirito@ripuc.state.ri.us</a>	401-780-2152 401-941-9207
For Division of Public Utilities Advocacy: Bruce Oliver Revilo Hill Associates 7103 Laketree Drive Fairfax Station VA 22039	<a href="mailto:Boliver@cox.net">Boliver@cox.net</a>	
For Division of Public Utilities Advocacy: David J. Effron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	<a href="mailto:Djeffron@aol.com">Djeffron@aol.com</a>	
<b>File an original &amp; four (4) copies w/:</b> Luly E. Massaro, Division Clerk Division of Public Utilities & Carriers 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Lmassaro@puc.state.ri.us">Lmassaro@puc.state.ri.us</a>	401-780-2107 401-941-1691